

# **ID Power Rates Hit Bottom, So Save More Electricity to Raise Them?**

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In the laws of regulatory physics, things have to go up to go down, so naturally the Idaho Public Utilities Commission (PUC) has decided to have the state's major electric utility push more conservation, which will raise rates, so charges can drop in the longer term. All this comes at a time when the state is sporting the lowest power rates in the nation, according to the U.S. Energy Information Administration (EIA).

This is how it all pencils out: The PUC earlier in March approved a three-year pilot energy conservation program for Idaho Power Co., which will cause the utility to raise its rates slightly to help get what the regulators calculate as lower rates in the longer term. It included a rate mechanism called a fixed cost adjustment (FCA) as part of the approved pilot program.

Meanwhile, the EIA's latest national assessment finds Idaho's power rates the lowest in the country -- 6.12 cents/kWh, followed by West Virginia (6.32 cents/kWh) and Washington state (6.81 cents/kWh). Utility officials told local news media that Idaho Power's combination of hydroelectric and coal-fired supplies give it the favorable overall rate.

Nevertheless, an Idaho Power spokesperson told news media that generation costs are going up in the Pacific Northwest like in most other areas of the country. "There is going to be upward pressure on prices," said Jeff Beaman, the utility spokesperson, as quoted in a report in the Idaho Statesman. "But at the end of the day, we're confident that we will remain among the low-cost producers."

By comparison, neighboring Utah also has low rates -- ranked ninth lowest by EIA -- at 7.61 cents/kWh, but rates have gone up in recent years after a period in the 1990s when rates dropped cumulatively about 30%, according to a spokesperson with PacifiCorp's Rocky Mountain Power utility that serves 85% of Utah's need and a relatively few customers in southeastern Idaho.

Idaho Power's newly approved conservation program applies only to residential and small business customers and is the product of a settlement among the utility, PUC staff and Northwest Energy Coalition, a group of environmental organizations and small utilities seeking to establish more utility-sponsored energy efficiency programs. The deal calls for a surcharge to pay for the added conservation programs.

Idaho Power is concerned about covering its fixed costs if the added energy-saving programs cut its revenues. "In essence, when we encourage our customers not to use our

product, we've had an earnings impact," said Ric Gale, Idaho Power's vice president for regulatory affairs, as quoted in another Statesman news report.

A PUC spokesperson said the goal of the added conservation efforts is to avoid as much as possible having to build new electric generation plants, which will require higher future rates. "In the long run, we believe customers will pay less as a result of the program," said the PUC spokesperson in the news report on the latest regulatory commission action.

The program will be a pilot and closely monitored by the PUC, the spokesperson said. It also can be terminated at any time.